



**Billing Code: 5001-06**

**DEPARTMENT OF DEFENSE**

**Office of the Secretary**

**(Transmittal No. 16-47)**

**36(b)(1) Arms Sales Notification**

**AGENCY:** Department of Defense, Defense Security Cooperation Agency.

**ACTION:** Notice.

**SUMMARY:** The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996.

**FOR FURTHER INFORMATION CONTACT:** Chandelle K. Parker, DSCA/LMO, (703) 697-9027.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 16-47 with attached Policy Justification and Sensitivity of Technology.

Dated: July 20, 2016.

Aaron Siegel,  
Alternate OSD Federal Register Liaison Officer,  
Department of Defense.



## DEFENSE SECURITY COOPERATION AGENCY

201 12TH STREET SOUTH, STE 203  
ARLINGTON, VA 22202-5408

JUL 15 2016

The Honorable Paul D. Ryan  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 16-47, concerning the Department of the Navy's proposed Letter of Offer(s) and Acceptance to the Government of Japan for defense articles and services estimated to cost \$821 million. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,

J. W. Rixey  
Vice Admiral, USN  
Director

## Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology



## Transmittal No. 16-47

Notice of Proposed Issuance of Letter of Offer Pursuant to  
Section 36(b)(1) of the Arms Export Control Act, as amended

(i) Prospective Purchaser: Government of Japan

(ii) Total Estimated Value:

Major Defense Equipment\* \$685 million

Other \$136 million

TOTAL \$821 million

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):

Up to two hundred forty-six (246) Standard Missiles (SM-2), Block IIIB Vertical Launching Tactical All-Up Rounds, RIM-66M-09

Non-MDE:

This request also includes the following Non-MDE: MK 13MOD 0 Vertical Launching System Canisters, operator manuals, U.S. Government and contractor engineering, technical and logistics support services.

(iv) Military Department: Navy (ATA and ASZ)

(v) Prior Related Cases, if any: JA-P-ARH - MAR 11, \$32,149,836; JA-P-AQO - FEB 08, \$36,133,478; JA-P-AQE - AUG 06, \$25,932,921; JA-P-AQF - AUG 06, \$32,030,680; JA-P-ANW - SEP05, \$46,147,937; JA-P-ANX - SEP05, \$30,207,196; JA-P-APS - SEP05, \$24,923,134; JA-P-APT - NOV 04, \$25,041,269; JA-P-APU - NOV 04, \$18,297,591; JA-P-APV - NOV 04, \$13,328,470; JA-P-APG - JUL 03, \$26,545,311; JA-P-APP - JUL 03, \$15,581,478

(vi) Sales Commission, Fee, etc. Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Annex attached

(viii) Date Report Delivered to Congress: 15 July 2016

\*as defined in Section 47(6) of the Arms Export Control Act.

## POLICY JUSTIFICATION

### Japan - SM-2 Block IIIB Standard Missiles

The Government of Japan has requested a possible sale of up to two hundred forty-six (246) Standard Missile (SM-2), Block IIIB Vertical Launching Tactical All-Up Rounds, RIM-66M-09. This request also includes MK 13 MOD 0 Vertical Launching System Canisters, operator manuals and technical documentation, U.S. Government and contractor engineering, technical and logistics support services. The total estimated value of Major Defense Equipment (MDE) is \$685 million. The total overall estimated value is \$821 million.

Japan is one of the major political and economic powers in East Asia and the Western Pacific, a key democratic partner of the United States in ensuring regional peace and stability, a close coalition ally in regional contingency operations, and a close cooperative and international exchange agreement partner. It is vital to U.S. national interests that Japan develops and maintains a strong and ready self-defense capability. This transaction is consistent with U.S. foreign policy and national security objectives and the 1960 Treaty of Mutual Cooperation and Security.

These SM-2 Block IIIB missiles will be used for anti-air warfare at sea. Japan currently fields four Kongo-class and two Atago-class destroyers, all of which are equipped with the Aegis Combat system and SM-2 Block IIIA/IIIB missiles. Japan is also building two new Aegis-equipped destroyers based on a modified Atago-class hull. The SM-2 Block IIIB missiles proposed in this sale will be used on these two future destroyers as well as supplementing Japan's missile inventory. Combined with the Aegis combat system, the SM-2 Block IIIB provides significantly enhanced area defense capabilities over critical East Asian and Western Pacific air- and sea-lines of communication. Japan has two Intermediate-Level Maintenance Facilities capable of maintaining the SM-2 Block IIIB and will have no difficulty absorbing these new missiles into its armed forces.

The proposed sale of this equipment and support will not alter the basic military balance in the region.

The principal contractors will be Raytheon Missile Systems Company, Tucson, Arizona; Raytheon Company, Camden, Arkansas; and BAE of Minneapolis and Aberdeen, South Dakota. There are no known offset agreements proposed in connection with this potential sale.

Implementation of this sale will not require the assignment of any U.S. or contractor representatives to Japan.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

## Transmittal No. 16-47

Notice of Proposed Issuance of Letter of Offer Pursuant to  
Section 36(b)(1) of the Arms Export Control Act

## Annex Item No. vii

(vii) Sensitivity of Technology:

1. A completely assembled Standard Missile-2 (SM-2) Block IIIB with or without a conventional warhead, whether a tactical, telemetry or inert (training) configuration, is classified CONFIDENTIAL. Missile component hardware includes: Guidance Section (classified CONFIDENTIAL), Target Detection Device (classified CONFIDENTIAL), Warhead (UNCLASSIFIED), Rocket Motor (UNCLASSIFIED), Steering Control Section (UNCLASSIFIED), Safe and Arming Device (UNCLASSIFIED), Autopilot Battery Unit (classified CONFIDENTIAL), and if telemetry missiles, AN/DKT-71 Telemeters (UNCLASSIFIED).
2. SM-2 operator and maintenance documentation is usually CONFIDENTIAL. Shipboard operation/firing guidance is generally CONFIDENTIAL. Pre-firing missile assembly/pedigree information is UNCLASSIFIED.
3. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures that might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.
4. A determination has been made that Japan can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.
5. All defense articles and services listed in this transmittal have been authorized for release and export to the Government of Japan.